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SUBJECT: UN REFORM: OIOS CHIEF WARNS NEW STUDY COULD LEAD
TO WEAKENING OF OVERSIGHT

REF: 06/07/06 USUN (HILLMAN)-IO/S (GLOCKNER) E-MAIL

Classified By: AMBASSADOR MARK D. WALLACE: REASONS: 1.5 (B) AND (D).

¶1. (C) SUMMARY: Under Secretary-General for Internal Oversight Inga-Britt Ahlenius met privately June 9 with Ambassador Wallace to present her vision of a strengthened, more independent OIOS, but warned the soon-to-be released independent external evaluation of UN oversight prepared by Price-Waterhouse-Coopers (PWC) will likely recommend a significant reduction in OIOS functions, including the transfer of investigations to the UN Office of Legal Affairs (OLA) and the shifting of responsibility for inspections and evaluations to the UN Department of Management. Ahlenius made a strong case for OIOS' retention of its core oversight functions -- audit, inspection and evaluation -- while suggesting a lesser role for investigations. She suggested that the current review of sexual exploitation and abuse were better suited to a "task force" approach separate from normal OIOS activities. Ahlenius suggested that the UN Steering Committee, which was responsible only for guiding PWC in the preparation of its report, had actually inserted the proposals to transfer current OIOS responsibilities to other UN departments. END SUMMARY.

AHLENIUS' CALL FOR A
NEW STRUCTURE AND
INCREASED INDEPENDENCE
FOR OIOS

¶2. (C) Requesting a private meeting with Ambassador Wallace, UN OIOS U/SYG Ahlenius, accompanied by OIOS Program Officer Mika Tapio, outlined her vision of a strengthened, more independent OIOS focused on its core functions as originally defined by the General Assembly in paragraph 5 of Resolution 48/218B -- namely, "initiate, carry out and report on any action which it considers necessary to fulfill its responsibilities with regard to monitoring, internal audit, inspection and evaluation, and investigations." Ahlenius said she welcomed the call in the World Summit Outcome Document (para 164 a) for a significant strengthening of OIOS' audit and investigations functions, and was pleased this proposal appeared to enjoy broad support among Member States. Ahlenius underscored that a key to a strengthened OIOS would be its financial independence, particularly eliminating OIOS' need to solicit funds from the very UN programs it was responsible for auditing, through the provision of additional funding from the regular UN budget or through creation of a trust fund devoted to supporting OIOS activities.

¶3. (C) Ahlenius also proposed that OIOS be strengthened through a reorganization of its core functions, with emphasis on audit, evaluation and inspection. Ahlenius said she favored a single audit division that carried out risk-based audits and assessments, with systematic additional training

for her already professional and qualified staff. Ahlenius underscored the importance of strengthening independent evaluations and increasing the number of evaluations conducted annually from 2-3 to 6-8. She said more support also was needed for increased program self-evaluation. She also recommended that the OIOS inspection function be strengthened, including by increasing the number of inspections conducted yearly to 8 to 10, rather than the current total of 1 to 3. Ahlenius noted that all of these proposed changes, however, did not automatically imply the need for a significant increase in OIOS posts. While some additional resources would be required, simply reorganizing current OIOS staffing patterns, e.g. reducing investigations staff, could, in the short term, enable OIOS to increase the number of studies completed in such areas as evaluation and inspection.

A TASK FORCE APPROACH
FOR SPECIAL INVESTIGATIONS

¶4. (C) Ahlenius expressed concern that OIOS' current role in conducting two special investigations now underway, sexual exploitation and abuse, and procurement, were consuming significant resources that otherwise could be devoted to audits, evaluations, and inspections. She suggested that technically, these types of inquiries did not fall into the more traditional areas for investigation such as management, finance, assets and contracts. Ahlenius said she feared OIOS would be called upon more frequently in the future to handle similar inquiries, when, in fact, it would be better to create special task forces to handle such investigations of this nature. While Ahlenius said she opposed transferring the investigation function from OIOS to the UN Office of Legal Affairs, a proposal presently in the draft version of the PWC study, she suggested that there was a need to consider who other than OIOS might be better suited to handle future investigations.

PREVIEW OF INDEPENDENT
EVALUATION OF UN AUDIT
AND OVERSIGHT

¶5. (C) Ahlenius said she had seen several draft versions of the independent external evaluation of UN audit and oversight prepared by Price-Waterhouse-Coopers. (Note: USUN had an opportunity June 7 privately to review and summarize the PWC report on OIOS, which was reported ref e-mail. End note.) A number of recommendations in the draft version would effectively weaken, rather than strengthen, OIOS. For example, Ahlenius said the PWC report recommended that OIOS' inspection and evaluation functions be moved to the Department of Management, while investigations, as previously noted, would be moved to OLA. Such transfers would significantly reduce OIOS' mandate and restrict its future functions to conducting audits. In response to a question posed by Ambassador Wallace as to the basis of these recommendations, Ahlenius noted that the original PWC draft did not/not contain such proposals, but rather they were apparently added later after the report was reviewed and discussed by the Steering Committee. This Committee is composed of five independent experts, including former UN Comptroller Halbwachs, who were assigned to assist and advise PWC in preparing the independent external assessment of UN audit and oversight.

¶6. (C) Ahlenius did acknowledge that the PWC report recommended new funding and hiring arrangements for OIOS, both of which would help to strengthen OIOS. However, moving the investigation, inspections, evaluations, monitoring and consulting functions out of OIOS and into other areas of the UN would weaken overall UN oversight and undermine the independent nature of current OIOS functions. At one point, however, she suggested that there may be a case for moving the monitoring and consulting functions but not the evaluation and inspection functions. Ahlenius said the PWC report likely would be released within the next few days and

would then need to be reviewed by ACABQ and considered by the
Fifth Committee.

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